

# The Blue Ocean Strategy Day with Dr. W. Chan Kim

AdMix / Marjorie Teresa R. Perez / joyetteperez@yahoo.com

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AdMix  
Marjorie Teresa R. Perez  
joyetteperez@yahoo.com

‘No new product has ever failed this convincingly.’ That was the verdict reached by the research firm hired to test a new beverage concept with consumers. Initial results were abysmal. The thin color of the drink appeared “unappetizing.” The sticky texture and taste were “disgusting.” The “stimulates the mind and body” concept was irrelevant at best. “Don’t quit your day job,” they advised the middle-aged entrepreneur who sat before them.

This middle-aged entrepreneur was past the point of no return. He had retired the corporate world exactly three years to create a beverage styled after energy drinks that are popular in Asia. And, in some ways, the devastating consumer reactions to the drink were only the beginning of his troubles. He was already locked in a drawn-out battle with the food-and-drug authorities: Getting approval for the first energy drink in a European country was no easy task. And, in the “add insult to injury” category, the friend he hired couldn’t come up with a single good campaign idea.

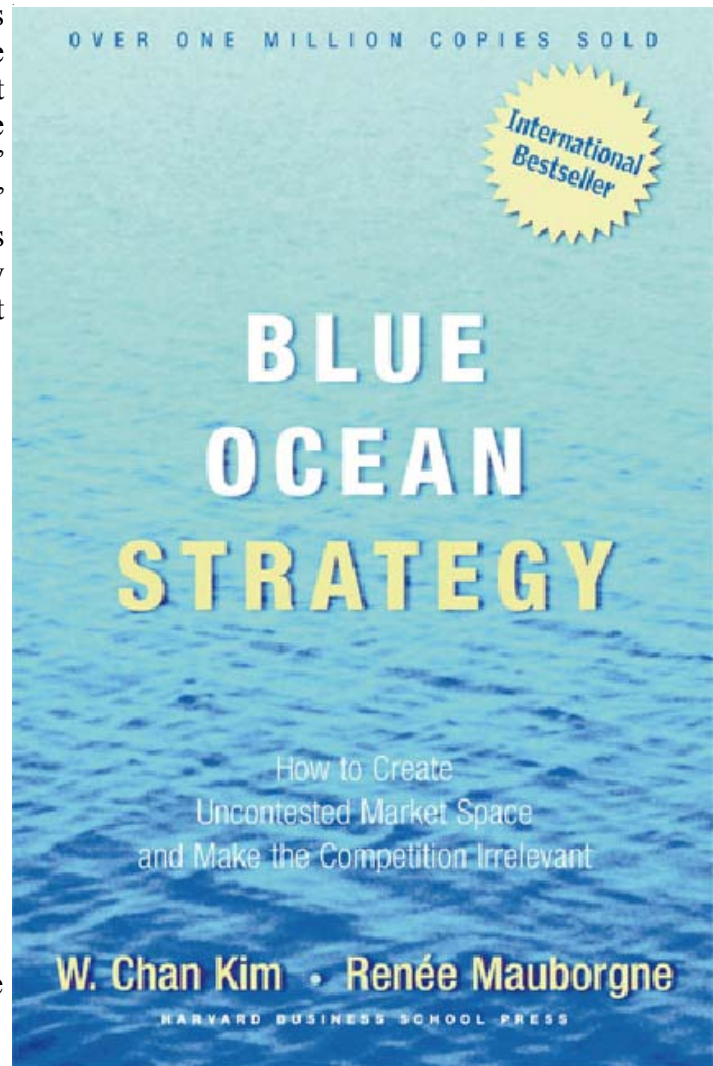
“Those were the worst three years of my life,” he said.

But, of course, this energy drink now holds a place in the marketing hall of fame alongside such enigmatic miracle brands. It beat the odds by

throwing conventional marketing wisdom overboard and developing a new go-to-market template. As you might imagine, a funny-tasting soda/stimulant hybrid can make for a complex pitch to consumers. But this energy drink’s marketing approach never shied away from complexities.

That’s why it’s worth a closer look on why some brands refused to enter industry competitions. It has rewritten all the rules. In search of an answer, Prof. W. Chan Kim, author of the best-selling strategy book *Blue Ocean Strategy—How to Create Uncontested Market Space and Make the Competition Irrelevant*, spoke on creating “blue-ocean” strategies during a time of crisis in an exclusive press conference held recently, his first visit in Manila.

“Innovation goes up while the economy goes down. Despite the pain, recessions are historically times of enormous creativity and breakthrough business launches. Microsoft, General Electric, FedEx, CNN and Apple are among the hundreds of companies that created blue oceans during an economic downturn,” he said.





*Prof. W. Chan Kim*

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***KIM: “Innovation goes up while the economy goes down.”***

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Value innovation, he furthered, is the cornerstone of the blue-ocean strategy. To achieve value innovation, it is the idea that matters, not your resources. Lean times create innovation that is smarter than the innovation that springs from fatter times. They are “smarter” because they are based on ideas—not big budgets, research and development, or technological breakthroughs.

This columnist asked, how can a company achieve a blue ocean? Is there a systematic approach to achieve this and thereby sustain high performance? The question, however, he said, was this: Are there lasting “excellent” or “visionary” companies that continuously outperform the market and repeatedly create blue oceans? The strategic moves he discussed—moves that have delivered products and services that opened and captured new market space, with a significant leap in demand—contain great stories of profitable growth, as well as thought-provoking tales of missed opportunities by companies stuck in red oceans. Red oceans represent all the industries in the known market space.

“We studied more than 150 strategic moves made from 1880 to 2000 in more than 30 industries, and we closely examined the relevant business players in these events. Industries ranged from hotels, the cinema, retail, airlines, energy, computer, broadcasting and construction to automobiles to steel. We analyzed not only winning business players who created blue oceans but also their less-successful competitors.”

In assessing the industry, organizational and strategic variables, it revealed that the creation and capturing of blue oceans were achieved by small and large companies, by young and old managers, by companies in attractive and unattractive industries, by new entrants and established incumbents, by private and public companies, by companies in low- and high-tech industries and by companies of diverse national origins. What separates winners from losers in creating blue oceans is neither the bleeding-edge technology nor “timing for market entry.” Value innovation is a new way of thinking about and executing strategy that results in the creation of a blue ocean and a break from competition. Here, strategy is seen as making a choice between differentiation and low cost. In contrast, those that seek to create blue oceans pursue differentiation and low cost simultaneously.

While innovation has been seen as a random/experimental process where entrepreneurs and spinoffs are the primary drivers, blue-ocean strategy offers systematic and reproducible methodologies and processes in pursuit of innovation by both new and existing firms. These frameworks and tools include strategy canvass, value curve, four actions, six paths, buyer experience cycle, buyer utility map and blue-ocean index.

“These are designed to be visual not in order to not only effectively build the collective wisdom of the company but also to effectively execute through easy communication. The blue-ocean strategy covers both strategy formulation and strategy execution. The three key conceptual building blocks of blue-ocean strategy are value innovation, tipping point leadership and fair process,” Kim said.

Marketing business continues to be intrigued. When we think we fully understand marketing, it starts a new dance and we must follow it the best way we can. It has been gratifying to witness substantial advances in the body of scientific literature in marketing—both explanatory and normative—contributed

by a generation of talented marketing and management gurus bent on improving our understanding of how markets work.

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**CHIA:** *“The HP Quick Calc is today’s ideal solution for users who need to do simple calculations anytime and anywhere.”*

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### **Brand activity**

Some brands clearly do more about building their image than others. This isn’t a question of money; it is about consistency and good use of the past. Of course, brands must change, as most products. Nobody would expect an HP calculator to be the same today as it was just two years ago. Is that product renewal or brand renewal? The answer is both—HP as a brand is about being up to date.

Magdalene Chia, managing director of Educalc.net, master distributor of HP Calculators for Southeast Asia, said during a recent Manila visit, “The HP Quick Calc is today’s ideal solution for users who need to do simple calculations anytime and anywhere,” she said. HP is about producing the best, or the market-dominant products. Businesses with high rates of innovation and patent application often have this value at heart. It must always be at the leading edge, pushing at the boundaries and, most important, be seen to be doing so.

Designed by Hewlett-Packard, a leader in electronics innovation, HP has the criteria of “built to last” by outperforming the market over the long term. “What makes the difference? It allows you to work efficiently because it has reverse polish notation, HP’s unique calculator entry method that reduces keystrokes. Other advantages include years of reliable service; advanced features not found on other calculators; top quality keyboards with HP’s exclusive ‘rotate and click’ keys; graphing models have many options for date transfers: SD card, infrared beaming, serial port and USB; the HP customer experience; free, high-quality printed, and web-based reference training and proficiency aids; meet standards for college entrance and professional exams and quality protective pouches at no extra cost,” Chia explained.<sup>(1)</sup>

So compact and stylish, it is available in a variety of colors to suit the taste of users. Wise spenders can do budgeting at their fingertips anytime and anywhere with the HP Quick Calc. The HP Quick Calc is your everyday companion because it is a simple-to-use, stylish solution for anyone on the go. It has all the functions one needs for quick and easy everyday calculations. Consumers will find that it is a convenient tool because it is compact and can be carried anywhere or even attached to a key chain. More important, it has a magnetic strip that can stick to most metal surfaces.

In addition to its unique streamlined design, ladies will surely love its colors that can match their personalities or wardrobe. The HP Quick Calc is available in bronze, green, pink or silver. Perfect for travel, shopping, or home use.

### **Rising star**

Philippine call center and business-process outsourcing (BPO) firm ePerformax ranked as a “rising star”



*Magdalene Chia, managing director of Educalc.net*

among the world's top BPOs as part of the Global Outsourcing 100, in a selection process managed by the International Association of Outsourcing Professionals (IAOP).

This year's Global Outsourcing 100 was announced during the 2009 Outstanding World Summit held in La Costa, California, and the rankings will be published in a special advertising feature produced by IAOP in the May 4 issue of Fortune magazine.

Teresa Hartsaw, president and CEO of ePerformax, said this is the first time the company has been named a rising star in the Global Outsourcing 100 by the IAOP. "I have always been proud of the ePerformax team, but we regard our inclusion in the Global Outsourcing 100 as positive proof of not only our standing in the industry, but also the satisfaction that our Fortune 500 clients have with the level of customer service and quality that we provide to their customers."

IAOP applies a rigorous selection process by a panel of independent experts, who evaluate each company's capacity to deliver global outsourcing services and rank the companies' overall capabilities and quality following a rigorously judged application process that examines multiple criteria. Final rankings are based on a weighted average on demonstrated competencies, management capabilities and customer references.

From: Business Mirror online, <http://businessmirror.com.ph/home/marketing/7537-the-blue-ocean-strategy-day-with-dr-w-chan-kim-.html>

*(1) RJN Note. A vital HP feature that was missed is related to the high end machines which have thousands of functions. With HP's customization feature any function may be set to be a single keystroke. You can't get any more efficient than that.*